

Pork has been center-stage in the meat markets so far this year as the consequences of African Swine Flu in China and Southeast Asia will have a dominating effect on US and world pork industries. As such, there has not been much attention to the US chicken market during the last six months.

Last year was not a good year for the US chicken industry as frozen inventories of parts and breast meat rose to record-high levels and wholesale prices sank to the lowest values in more than a decade. This trend in value came as the chicken industry is readying several new processing facilities this year based on market conditions of 2015 and 2016 when beef and pork production was significant lower. The situation for chicken feed costs was also supportive, as corn and soybean meal prices had dropped more than 50% from their highs in 2012 and 2013. The new processing complexes were anticipated to raise industry production capacity by 3% or more in 2019.

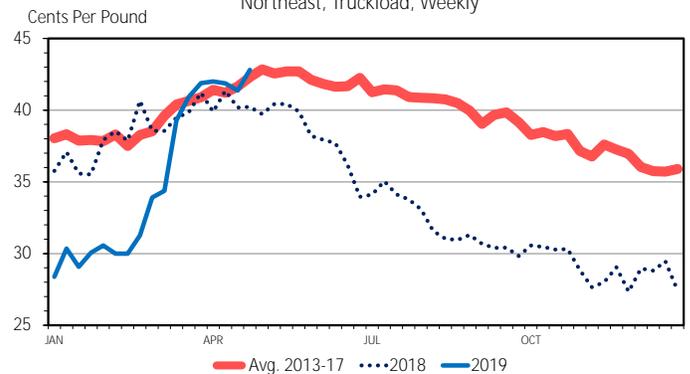
The swoon in price last year, which began late in the first quarter of 2018 for wing prices, followed by leg parts prices in the spring and breast meat prices in the summer drove calculated profitability measures to negative values for the last 4-5 months of the year. Hatchery output was scaled back, consistent with profitability, going from a 2% year-over-year increase in the spring quarter to a half percent decline by the last quarter of the year. The decline in hatchery output translated into chicken production during the first three months of this year being unchanged from the same period in 2018.

Moderating supply allowed for liquidation of frozen product inventory in order to satisfy consumer appetites for chicken and prices have rebounded. Wing markets were the first to respond to a shift in the balance between supply and use with a 20% bounce in price in January.

Leg quarters prices followed suit in March and April with a 30% gain. Breast meat price increases have been more gradual and consistent with seasonal patterns, but the increase in price is over 50% from the lows last November to current values.

The turnaround in industry profitability has been stark and should clear the way for the integration of additional production from new production facilities as the year progresses. Hatchery output has been increasing at a 2% rate in recent months and was up 1% during the January-March quarter. Hatchery output is projected to be up 2% in the current quarter and the summer, and given the current profit profile, could be up 3% from a year ago in the last quarter of the year.

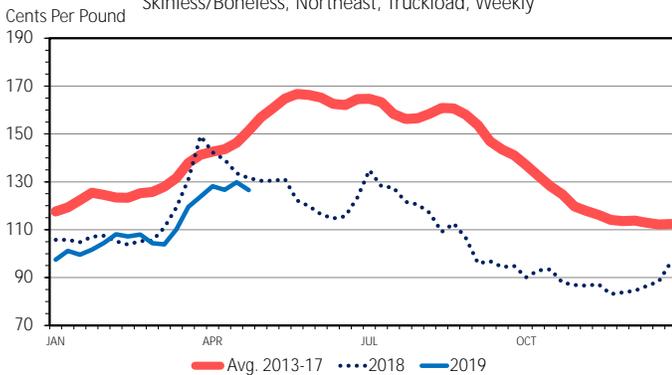
**WHOLESALE CHICKEN LEG QUARTER PRICES**  
Northeast, Truckload, Weekly



Data Source: USDA-AMS  
Livestock Marketing Information Center

04/26/19

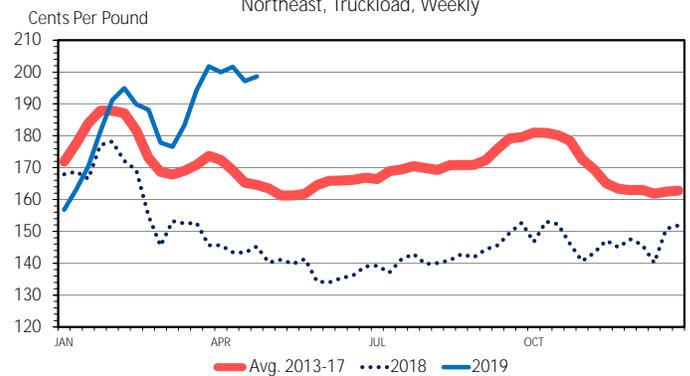
**WHOLESALE CHICKEN BREAST PRICES**  
Skinless/Boneless, Northeast, Truckload, Weekly



Data Source: USDA-AMS  
Livestock Marketing Information Center

P-P-02  
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**WHOLESALE CHICKEN WING PRICES**  
Northeast, Truckload, Weekly



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